

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 /084 W

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TO SECSTATE WASHDC 7236

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EO 11652: NA

TAGS: ELAB CI PINT

SUBJECT: LABOR REACTION TO PESO FLOAT - WORRY ABOUT PRICES

1. SUMMARY: ALTHOUGH ISOLATED LABOR VOICES HAVE BEEN HEARD THROUGHOUT PAST WEEK, SEPT; 7 BROUGHT FIRST INDICATION OF CONCERN FROM MAJOR LABOR LEADERS AND ORGANIZATIONS OVER POLICY OF FLOATING PSEO. LEADERSHIP, WHILE CONCERNED WITH TRADITIONAL PROBLEMS AND NEW ROUND OF COLLECTIVE BARGAINING, ARE MOST WORRIED ABOUT FUTURE PRICES OF BASIC CONSUMER ITEMS AND GOM'S INTENTION AND ABILITY TO CONTROL THEM. GOM HAS BEEN JAWBOING OR PAST WEEK AND REPORTEDLY CLOSED SEVERAL OF LARGER RETAILERS FOR PRICE GOUGING. CLEARER TEST OF GOM INTENTION TO HOLD INFLATION LINE WILL COME THIS MONTH WHEN THEY ANNOUNCE PROMISED FEDERAL EMPLOYEES SALARY HIKE. END SUMMARY.

2. INITIAL REACTION OF VARIOUS SECTORS OF ORGANIZED LABOR TO THE GOM "PESO FLOAT" HAS BEGUN TO SURFACE IN MEXICO CITY PRESS. QUOTES FROM LEADERS OF IMPORTANT SECTORS HAVE APPEARED SINCE THE GOM FIRST ANNOUNCED THE MOVE ON AUG 31. SEPT 7 DAILIES CARRIED FIRST OFFICIAL
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REACTION OF CONGRESO DEL TRABAJO WHICH GROUPS ALL PRI

LABOR LEADERSHIP AND VAST MAJORITY OF COUNTRY'S UNIONS,
AND FROM LABOR KINGPIN FIDEL VELAZQUEZ, HEAD OF THE
LARGE CONFEDERATION DE TRABAJADORES DE MEXICO -- CTM.

3. VELAZQUEZ UTTERED HIS PREDICTABLE DECLARATION OF
WAR FOR THIS YEAR'S ROUND OF WAGE NEGOTIATIONS BY
THREATENING "A GENERAL STRIKE THROUGHOUT THE REPUBLIC"
IF DEMANDS OF (PRIVATE SECTOR) WORKERS, BUREAUCRATS AND
MILITARY SERVICES (CIVILIAN EMPLOYEES) ARE NOT MET.
ACCORDING TO PRESS ACCOUNTS HE THEN TURNED TO WHAT AP-
PEARS TO BE THE MAJOR PREOCCUPATION OF LABOR, BUT URGING
THAT THE GOM "INTERVENE WITH COMMERCIAL ESTABLISHMENTS
WHICH ABUSE (CONSUMERS) WITH (HIGH) PRICES". SIDEKICK
ARMANDO PAREDES OF THE ELECTRICAL WORKERS RECOMMENDED
JAIL FOR THESE ABUSIVE RETAILERS.

4. VELAZQUEZ FURTHER OUTLINED CONGRESO'S BASIC DEMANDS
FROM PRIVATE SECTOR FROM ANNUAL MINIMUM READJUSTMENTS
BASED ON LOSS OF WORKER'S PURCHASING POWER. IN ADDITION
TO (NORMALLY) BI-ANNUAL NEGOTIATED INCREASES.

5. A FULL-PAGE FINE PRINT AD FROM CONGRESO ECHOED THE
BRIEF VELAZQUEZ STATEMENT ON GENERAL BARGAINING POLICY
BUT MORE SIGNIFICANTLY OUTLINED THE ORGANIZATION'S
MAJOR WORRY THAT THE GOM WILL NOT USE A HEAVY STICK IN
CONTROLLING PRICES. THE STATEMENT APPLAUDS ECHVERRIA'S
PAST DEFENSE OF WORKERS' INTERESTS, CONFIRMS THE NECES-
SITY FOR THE PESO FLOAT, BUT CONTINUES WITH A LENGTHY
TEXT IMPLORING L.E. TO USE EVERY MEANS AT HIS DISPOSAL
AND CREATE NEW LEGISLATIVE TOOLS TO CONTROL PRICES.

6. A TWO PAGE AD PUBLISHED SEPT 7 BY THE THREE SECTORS
OF THE PRI UNDER HEADING OF THE ALIANZA POPULAR REVOLU-
CIONARIA MAY HAVE OFFERED SOME SOLACE TO ORGANIZED LABOR
AND THE GENERAL PUBLIC. THE ALIANZA (A GOM MANIPULATED
ORGANIZATION WHICH CLAIMS TO SPEAK FOR LABOR, AGRICULTURAL
WORKERS AND THE GENERAL PUBLIC) IN A "CALL FOR NATIONAL
SOLIDARITY" CLAIMED THE GOM SHOULD DO MUCH OF WHAT THE
CONGRESO HAD SUGGESTED -- CONTROL PRICES.

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7. NEWS ACCOUNTS OF THE PAST WEEKEND CLAIMED SEVERAL
SIZEABLE RETAIL ESTABLISHMENTS HAD BEEN CLOSED FOR PRICE
GOUGING.

8. COMMENT: THE CONGRESO AND VELAZQUEZ POSITIONS MOST
PROBABLY REFLECT THE MAJOR CONCERN OF THE WAGE AND SALARY
SUPPORTED MEXICANS: NAMELY, JUST HOW FAR THE GOM IS
PREPARED TO GO TO CONTROL FUTURE PRICE INCREASES ON BASIC

CONSUMER NECESSITIES. IF NEWS ACCOUNTS OF CLOSING THE DOORS OF PRICE GOUGING MERCHANTS ARE TRUE, AND IF THE POLICY CONTINUES, THE BURDEN WHICH MEXICAN WAGE EARNERS ARE BOUND TO BEAR MAY BE LIGHTENED.

9. ORGANIZED LABOR MUST FIND ITS PLIGHT CONSIDERABLY

COMPLICATED BY THE TIMING OF THE PESO FLOAT ANNOUNCEMENT. COMING ON THE VE OF THEIR TRADITIONAL KICK-OFF OF MAJOR BARGAINING ROUNDS WITH HEPRIVATE SECTOR, THEY ARE UNABLE TO QUANTIFY THE YET UNKNOWN LOSS IN REAL WAGES WHICH WILL RESULT FROM THE PESO FLOAT. THEY ARE HOWEVER COMPELLED TO PROCEED TO RECOUP LOSSES CAUSED BY NORMAL INFLATION, WHICH THEY FEAR WILL BE INSIGNIFICANT WHEN COMPARED TO THOSE CAUSED BY THE FLOAT.

10. THE GOM INTENTIONS SHOULD BECOME MORE CLEAR BEFORE THE END OF SEPTEMBER WHEN THE SALARY INCREASES PROMISED BY ECHEVERRIA ON SEPT 1 IS ANNOUNCED. THE SIZE OF THIS PACKAGE WILL PROBABLY OFFER A BETTER INDICATION OF THE EXTENT TO WHICH THE GOM IS PREPARED TO GO IN CONTROLLING INFLATION THAN PRESENT JAWBONING FURNISHES.
THOMPSON

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